

**EXAMINATION REPORT**  
**OF**  
**LEXINGTON INSURANCE COMPANY**  
**AS OF**  
**DECEMBER 31, 2020**

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION  
OF  
LEXINGTON INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2020

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in blue ink, reading "Trinidad Navarro", is positioned above a horizontal line.

Trinidad Navarro  
Insurance Commissioner

Dated this 24th day of June, 2022

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May 26, 2022

Honorable Trinidad Navarro  
Commissioner of Insurance  
Delaware Department of Insurance  
1351 West North Street, Suite 101  
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Certification No. 21.001, dated September 25, 2020, an examination has been made of the affairs, financial condition and management of

**LEXINGTON INSURANCE COMPANY**

hereinafter referred to as Lexington or the Company. The Company is incorporated under the laws of the State of Delaware as a stock company with its registered office located at 251 Little Falls Drive, Wilmington, Delaware 19808. The main administrative office of the Company is located at 99 High Street, 23<sup>rd</sup> Floor, Boston, Massachusetts 02110. The examination was conducted remotely given office closures and travel restrictions in connection with the COVID-19 pandemic. The report of examination thereon is respectfully submitted.

**SCOPE OF EXAMINATION**

We have performed our multi-state examination of the Company. The previous examination was conducted as of December 31, 2015, by the Delaware Department of Insurance (Department). This examination of the Company covers the period of January 1, 2016 through December 31, 2020. Our examination was coordinated with examination of certain of the

Company's affiliates. To the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Laws of the State of Delaware, as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, PricewaterhouseCoopers LLP (PwC). Certain work papers

for PwC's 2020 audit of the Company have been incorporated into the work papers of the examiners. The work papers were utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no significant findings or material changes in financial statements as a result of this examination.

### **COMPANY HISTORY**

The Company was incorporated on March 31, 1965, under the laws of the State of Delaware and began operations on April 1, 1965. At the time of its incorporation, National Union Fire Insurance Company of Pittsburgh, Pa. (NUFIC) was the immediate parent of the Company. The direct ownership of the Company has changed over the years, however American International Group, Inc. (AIG) has maintained ultimate control over the Company since AIG's incorporation in 1967.

#### **Capitalization**

The Company's Certificate of Incorporation authorizes the issue of 5.0 million shares of common stock with a par value of \$5.00 per share. As of December 31, 2020, the Company had 1,343,864 common shares issued and outstanding totaling \$6.7 million in common capital stock at par value. All outstanding common shares of the Company are owned by AIG Property Casualty U.S., Inc. (AIGPCUS). As of December 31, 2020, the Company reported gross paid in and contributed surplus of \$2.85 billion.

#### **Dividends**

The Company paid stockholder dividends totaling over \$2 billion during the examination period. Dividends were declared and paid in the total amount for each year of \$489.7 million,

\$200 million, \$500 million, \$450 million and \$400 million for the years ended December 31, 2016, 2017, 2018, 2019 and 2020, respectively.

## **MANAGEMENT AND CONTROL**

### **Directors**

Pursuant to the General Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, the business and affairs of the Company must be managed by, or under the authority of, its Board of Directors (Board). The Company's bylaws require its Board consist of not less than one individuals. Directors are elected annually by the stockholders to hold office until the next annual meeting of the stockholders. Directors duly elected and serving as of December 31, 2020, are as follows:

<b><u>Name</u></b>	<b><u>Business Affiliation</u></b>
Louis David Levinson	President and Chief Executive Officer – Lexington
Kean Driscoll	Chief Underwriting Officer – AIG
Elias Farid Habayeb	Deputy Chief Financial Officer – AIG; and Chief Financial Officer – AIG General Insurance
Michael David Price	Senior Vice President – AIG; and Chief Executive Officer – AIG General Insurance, North America
Anthony Vidovich	Senior Vice President – AIG; and Chief Claims Officer – AIG General Insurance

### **Officers**

Officers were appointed in accordance with the Company's bylaws during the period under examination. In accordance with the bylaws, the Board may elect a Chairman of the Board, one or more Vice Chairmen of the Board, a President, one or more Vice Presidents, a Secretary, one or more Assistant Secretaries, a Treasurer, one or more Assistant Treasurers and such other officers as the Board may determine. Any two or more offices may be held by the same person

provided the Company always has at least two officers. The primary officers serving as of December 31, 2020, were as follows:

<u>Name</u>	<u>Title</u>
Michael David Price	Chairman of the Board and Executive Vice President
Louis David Levinson	President and Chief Executive Officer
Brian Greenspan	Statutory Controller and Senior Vice President
Elias Farid Habayeb	Chief Financial Officer and Executive Vice President
Tanya Evelyn Kent	Secretary
Justin Caulfield	Treasurer and Vice President

#### Corporate Records

The recorded minutes of the shareholder and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events, including approval of investment transactions as required by 18 *Del. C.* § 1304. In addition, review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination as required by 18 *Del. C.* § 4919.

#### Insurance Holding Company System

The Company is a member of an insurance holding company system as defined under 18 *Del. C.* § 5001 of the Delaware Insurance Code. The following is an abbreviated organizational chart of the insurance holding company system as of December 31, 2020, followed by a summary of significant affiliated agreements:

<u>Company</u>	<u>Domicile</u>
American International Group, Inc.	Delaware
Blackboard U.S. Holdings, Inc.	Delaware
Blackboard Customer Care Insurance Services, LLC	Delaware

Lexington Insurance Company

Blackboard Services, LLC	Delaware
Blackboard Specialty Insurance Company	Delaware
Blackboard Insurance Company	Delaware
AIG Property Casualty, Inc.	Delaware
AIG Property Casualty U.S., Inc.	Delaware
AIG Assurance Company <sup>1</sup>	Illinois
AIG Property Casualty Company <sup>1</sup>	Illinois
AIG Specialty Insurance Company <sup>1</sup>	Illinois
AIU Insurance Company <sup>1</sup>	New York
American Home Assurance Company <sup>1</sup>	New York
Commerce and Industry Insurance Company <sup>1</sup>	New York
Granite State Insurance Company <sup>1</sup>	Illinois
Illinois National Insurance Co. <sup>1</sup>	Illinois
<b>Lexington Insurance Company<sup>1</sup></b>	<b>Delaware</b>
National Union Fire Insurance Company of Pittsburgh, Pa. <sup>1</sup>	Pennsylvania
New Hampshire Insurance Company <sup>1</sup>	Illinois
The Insurance Company of the State of Pennsylvania <sup>1</sup>	Illinois
Eaglestone Reinsurance Company	Pennsylvania
Western World Insurance Company	New Hampshire
Tudor Insurance Company	New Hampshire
Stratford Insurance Company	New Hampshire

<sup>1</sup>Entities are participants to an affiliated Combined Pooling Agreement.

The Company is party to a Combined Pooling Agreement (also referred to as Combined Pool or the Pool) whereby each participant (Pool Member) cedes 100% of its policyholder assets and liabilities to NUFIC. In turn, each Pool Member then assumes its share of the pooled policyholder assets and liabilities based on each entity's participation percentage as specified in the agreement. As of December 31, 2020, the Pool Members and the participation percentage of each is outlined as follows:

## Lexington Insurance Company

NAIC Cocode	Company Name	Acroynm	Participation Percentage <sup>1</sup>
19445	National Union Fire Insurance Company of Pittsburgh, Pa.	NUFIC	35%
19380	American Home Assurance Company	AHAC	35%
19437	Lexington Insurance Company	Lexington	30%
19402	AIG Property Casualty Company	APCC	0%
19410	Commerce & Industry Insurance Company	C&I	0%
19429	The Insurance Company of the State of Pennsylvania	ISOP	0%
23841	New Hampshire Insurance Company	NHIC	0%
26883	AIG Specialty Insurance Company	AIG Specialty	0%
40258	AIG Assurance Company	AAC	0%
23809	Granite State Insurance Company	GSIC	0%
23817	Illinois National Insurance Co.	INIC	0%
19399	AIU Insurance Company	AIU	0%

<sup>1</sup>The Combined Pooling Agreement was amended subsequent to the examination period effective January 1, 2021, whereby the participation percentages of the Pool Members were modified.

### Agreements with Affiliates

The following is a summary of the Company's significant affiliated agreements in force as of December 31, 2020:

#### *Service and Expense Agreement*

Effective December 30, 1998, the Company entered into a Service and Expense Agreement with AIG and its affiliates by amendment to the original agreement which was effective February 1, 1974. In accordance with the agreement, AIG and its subsidiaries have agreed to provide services and facilities to the named parties to this agreement at cost. Services and facilities include legal, investment, electronic data processing, internal audit, actuarial, claims, underwriting, accounting, tax and employee benefits. This agreement has been amended multiple times over the years to add/remove participants to the agreement and as otherwise necessary.

#### *Administrative Services Agreement*

Effective May 7, 2007, the Company, along with other AIG subsidiaries, entered into an Administrative Services Agreement (ASA) with AIG Shared Services – Business Processing, Inc.

(AIGSS-BPI). Effective December 1, 2009, the ASA was assigned by AIGSS-BPI to an affiliate, AIG Shared Services Corporation (Philippines). There was no change to the terms and conditions of the ASA. On September 30, 2013, AIG PC Global Services, Inc. (AIGPC GSI) entered into Master Agreements for Professional Services with AIGSS-BPI, AIG Shared Services Corporation, and AIG Shared Services (M) Sdn Bhd (AIGSS-MY), which replaced the 2007 agreement. Effective December 31, 2020, the Master Agreements that AIGSS-BPI and AIGSS-MY have with AIGPC GSI were terminated.

*Claims Services Agreement*

Effective July 15, 2012, the Company, along with other Pool Members and other AIG affiliates, entered into a Claims Services Agreement with AIG Claims, Inc. (AIG Claims) for AIG Claims to provide claims administration services on behalf of such companies. This agreement was amended effective April 4, 2014, and August 22, 2019, to meet certain updated state law requirements.

*Master Intra-Company Services Agreement*

Effective December 1, 2015, AIG Technologies, Inc. (AIGT) entered into a Master Intra-Company Services Agreement (AIGT Service Agreement) with the Company and other AIG entities thereto. Pursuant to the AIGT Services Agreement, AIGT provides network connectivity, application processing, data processing related services and other information technology related services as described in AIGT's services catalog as may be requested from time to time by a participant to the agreement. In 2016, 2017 and 2018, the AIGT Service Agreement was amended to update certain terms.

*Master Reinsurance Allocation Agreement*

The Company and other AIG subsidiaries entered into a Master Reinsurance Allocation Agreement (Allocation Agreement) effective February 29, 2008. The Allocation Agreement applies to new and renewal reinsurance agreements incepting on or after January 1, 2007. The Allocation Agreement does not amend any existing Combined Pooling Agreement and does not affect the rights of the parties to the agreement or any of their affiliates under any reinsurance contract. The Allocation Agreement was superseded by a Master Reinsurance Allocation Agreement, effective April 1, 2016, which applies to multiple cedant reinsurance agreements incepting on or after April 1, 2016.

*Reinsurance Compliance and Placement Service Agreement*

Effective January 1, 2017, the Combined Pool Companies entered into an Agreement for Facultative Reinsurance Compliance and Placement Services with AIG Global Reinsurance Operations SPRL (AIG GRO), acting on its own or through its UK Branch. Under the agreement, AIG GRO provides various facultative reinsurance services.

*Investment Advisory Agreement*

Effective March 26, 2010, the Company entered into an Investment Advisory Agreement with AIG Asset Management (U.S.), LLC (AMG) whereby AMG acts as the Company's investment manager, in accordance with the investment objectives and guidelines as communicated in writing to AMG by the Company's Board, and subject to investment guidelines in compliance with the investment limitation statutes of the State of Delaware. The original agreement was terminated and replaced with a similar Amended and Restated Investment Advisory Agreement (A&R IMA Agreement) with AMG effective July 1, 2011. The A&R IMA

Agreement was terminated and replaced with a similar Second Amended and Restated Investment Advisory Agreement with AMG effective June 2, 2020.

*International Swaps and Derivatives Association Master Agreement*

Effective February 24, 2014, the Company entered into an International Swaps and Derivatives Association Master Agreement (ISDA) with AIG Markets, Inc. (AIG Markets). The ISDA was amended on April 15, 2015, June 18, 2018 and January 8, 2019, to update various provisions.

*Services Agreement*

Effective December 22, 2015, the Company entered into a Services Agreement with AIG Markets, pursuant to which AIG Markets may provide services to the Company including: derivatives execution services, services related to short-term investments, repurchase, reverse repurchase and securities lending transactions. On June 2, 2020, the Company entered into a 1<sup>st</sup> Amendment to Services Agreement with AIG Markets in order to amend certain provisions relating to payment and compensation to AIG Markets.

*Nominee Agreement*

Effective July 27, 2015, the Company entered into a Nominee Agreement with AIG Alberta Nominee, LLC (AIG Alberta), pursuant to which AIG Alberta acts as a nominee to hold registered title to the mortgage documentation underlying mortgage loans made by the Company and secured by property located in Alberta, Canada.

*Program Administrator Agreement - Risk Specialists Companies Insurance Agency, Inc.*

Effective March 1, 2010, the Company entered into a Program Administration Agreement with Risk Specialists Companies Insurance Agency, Inc. (RSCIA).

*Program Administrator Agreement – AIG Specialty*

Effective January 1, 2012, the Company and AIG Specialty entered into a Religious Practices Insurance Program – Surplus Lines Program Administrator Agreement with Glatfelter Underwriting Services, Inc. (GUS). Effective January 1, 2020, AIG Specialty and the Company entered into a Surplus Lines Program Administrator Agreement with GUS which supersedes the 2012 Religious Practices Insurance Program – Surplus Lines Program Administrator Agreement.

*Tax Sharing Agreement*

Effective January 1, 2012, and last amended and restated effective January 1, 2018, the Company, entered into a Tax Sharing Agreement with AIG and other named affiliates. The Company and AIG, along with its United States affiliates, file a consolidated United States federal income tax return. The 2012 Tax Sharing Agreements replaced earlier Tax Sharing Agreements effective January 1, 2010.

*Loan Agreement*

Effective December 18, 2014, the Company, along with other affiliates, became a borrower under a Loan Agreement with AIG, as lender, pursuant to which a borrower may borrow funds from AIG from time to time.

*Promissory Notes*

On December 20, 2018, AIGPCUS issued two unsecured promissory notes to the Company totaling \$400 million in exchange for cash (2018 Promissory Notes). The Promissory Notes were amended May 30, 2019.

**TERRITORY AND PLAN OF OPERATION**

As of December 31, 2020, the Company holds a certificate of authority to write business in the State of Delaware. The Company is an eligible excess and surplus lines insurer in the

remaining forty-nine states, the District of Columbia, Puerto Rico and the United States Virgin Islands.

The Company is a leading United States based excess and surplus lines insurer. As a surplus lines insurer, the Company provides flexibility in capacity, rate and form that allows it to meet its customers' unique risk coverages. The Company provides surplus lines coverage in all eligible jurisdictions for various lines and classes of business. The Company accepts business from surplus licensed brokers, but such brokers typically have no authority to commit the Company to accept the risk. Surplus lines brokers and certain program administrators are used for underwriting, policy issuance and administration. Third party administrators may be contracted to provide claims adjustment services.

The Company also assumes reinsurance from other unaffiliated carriers and is one of the twelve AIG legal entities that make up the Pool Members. AIG conducts its property and casualty operations through multiple line companies writing substantially all commercial (Casualty, Property, Specialty and Financial Liability) and consumer (Accident & Health and Personal Lines) both domestically and abroad. The Pool accepts commercial business primarily through a network of independent retail and wholesale brokers and through an independent agency network. In addition, the Pool accepts consumer business primarily through agents and brokers, as well as through direct marketing, partner organizations and the internet. The Pool also assumes international business through reinsurance and other affiliates.

### **REINSURANCE**

The Company reported the following distribution of gross and net premium written for the years ended December 31, 2020, and the prior examination date of December 31, 2015:

		% of Gross Premium Written		% of Gross Premium Written
	2020		2015	
Direct business	\$ 2,078,946,585	23.8%	\$ 3,784,889,101	32.7%
Reinsurance assumed from affiliates	6,552,042,705	75.0%	7,472,888,089	64.6%
Reinsurance assumed from non-affiliates	106,845,297	1.2%	308,147,126	2.7%
Gross premiums written	<u>\$ 8,737,834,587</u>	<u>100.0%</u>	<u>\$ 11,565,924,316</u>	<u>100.0%</u>
Reinsurance ceded to affiliates	2,899,221,284	33.2%	4,484,746,098	38.8%
Reinsurance ceded to non-affiliates	2,080,154,427	23.8%	1,516,774,709	13.1%
Total ceded	<u>\$ 4,979,375,711</u>	<u>57.0%</u>	<u>\$ 6,001,520,807.0</u>	<u>51.9%</u>
Net premiums written	<u>\$ 3,758,458,876</u>	<u>43.0%</u>	<u>\$ 5,564,403,509.0</u>	<u>48.1%</u>

The Company both assumes business from and cedes business to affiliates. These affiliated transactions are primarily related to the Combined Pooling Agreement. Additionally, the Company assumes a relatively small amount of business from non-affiliates and cedes business to non-affiliates in accordance with AIG's overall risk management and capital management strategy. The following is a summary of the Company's primary affiliated and unaffiliated reinsurance programs as of December 31, 2020.

#### Affiliated Ceded and Affiliated Assumed Reinsurance

For the year ended December 31, 2020, the Company's primary ceded and assumed reinsurance transactions with affiliates relate to the Combined Pooling Agreement between the Company and eleven AIG affiliates last amended and restated effective January 1, 2017. NUFIC is the lead Company of the Combined Pool. In accordance with the terms and conditions of the Combined Pooling Agreement, each Pool Member cedes all direct and assumed business (except that of the Argentina, Dubai and Jamaica branches of AHAC) to NUFIC. In turn, each Pool Member receives from NUFIC their percentage share of the pooled business. The agreement was amended, restated and superseded subsequent to the examination period effective January 1, 2021.

Third Party Ceded Reinsurance

In the ordinary course of business, the Pool may use both treaty and facultative reinsurance to 1.) minimize its net loss exposure to any single catastrophic loss event; 2.) an accumulation of losses from a number of smaller events or 3.) to provide greater risk diversification. Paid and unpaid losses and loss expenses with respect to these reinsurance agreements are at times substantially collateralized. The Pool remains liable to the extent that reinsurers do not meet their obligation under the reinsurance contracts after any collateral is exhausted.

**FINANCIAL STATEMENTS**

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets as of December 31, 2020
- Statement of Liabilities, Surplus and Other Funds as of December 31, 2020
- Statement of Income for the Year Ended December 31, 2020
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2015 to December 31, 2020

Statement of Assets  
As of December 31, 2020

	Ledger <u>Assets</u>	Nonadmitted <u>Assets</u>	Net Admitted <u>Assets</u>
Bonds	\$ 12,504,147,732	\$ -	\$ 12,504,147,732
Preferred stocks	7,300,000	-	7,300,000
Common stocks	86,786,757	4,409,409	82,377,348
Mortgage loans on real estate: First liens	460,462,703	-	460,462,703
Cash	85,912,080	-	85,912,080
Cash equivalents	23,770,061	-	23,770,061
Short-term investments	35,033,097	-	35,033,097
Other invested assets	1,749,206,410	348,743	1,748,857,667
Receivable for securities	18,485,062	-	18,485,062
Investment income due and accrued	166,496,953	-	166,496,953
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	1,009,092,353	34,645,436	974,446,917
Deferred premiums and agents' balances and installments booked but deferred and not yet due	120,687,461	331,209	120,356,252
Accrued retrospective premiums	378,056,682	4,942,305	373,114,377
Reinsurance:			
Amounts recoverable from reinsurers	515,102,232	-	515,102,232
Funds held by or deposited with reinsured companies	223,824,468	-	223,824,468
Net deferred tax asset	415,174,376	59,021,544	356,152,832
Guaranty funds receivable or on deposit	1,907,837	-	1,907,837
Receivables from parent, subsidiaries and affiliates	185,010,040	374,905	184,635,135
Aggregate write-ins for other than invested assets	207,255,776	9,576,876	197,678,900
Total assets	<u>\$ 18,193,712,080</u>	<u>\$ 113,650,427</u>	<u>\$ 18,080,061,653</u>

Statement of Liabilities, Surplus and Other Funds  
As of December 31, 2020

		<u>Notes</u>
Losses	\$ 6,822,998,682	1
Reinsurance payable on paid losses and loss adjustment expenses	699,077,811	
Loss adjustment expenses	859,079,822	1
Commission payable, contingent commissions and other similar charges	(1,036,581)	
Other expenses	9,948,265	
Taxes, licenses and fees	166,828,094	
Current federal and foreign income taxes	16,611,997	
Unearned premiums	2,331,282,070	
Ceded reinsurance premiums payable	398,761,838	
Funds held by company under reinsurance treaties	1,570,647,725	
Amounts withheld or retained by company for account of others	74,123	
Remittances and items not allocated	3,801,607	
Provision for reinsurance	13,845,450	
Payable to parent, subsidiaries and affiliates	154,096,927	
Derivatives	8,502,058	
Payable for securities	2,597,596	
Aggregate write-ins for liabilities	574,114,898	
Total liabilities	<u>\$ 13,631,232,382</u>	
Aggregate write-ins for special surplus funds	\$ 691,776,971	
Common capital stock	6,719,320	
Gross paid in and contributed surplus	2,849,033,739	
Unassigned funds (surplus)	901,299,241	
Total surplus as regards policyholders	<u>\$ 4,448,829,271</u>	
Total liabilities, capital and surplus	<u>\$ 18,080,061,653</u>	

Statement of Income  
For the Year Ended December 31, 2020

**UNDERWRITING INCOME**

Premiums earned	\$ 4,125,756,169
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**DEDUCTIONS:**

Losses incurred	\$ 2,877,277,466
Loss adjustment expenses incurred	314,321,323
Other underwriting expenses incurred	1,324,413,036
Total underwriting deductions	\$ 4,516,011,825

Net underwriting gain or (loss)	\$ (390,255,656)
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**INVESTMENT INCOME:**

Net investment income earned	\$ 541,096,200
Net realized capital gains or (losses)	57,221,841
Net investment gain or (loss)	\$ 598,318,041

**OTHER INCOME (LOSS):**

Net gain (loss) from agents' or premium balances charged off	\$ (1,437,720)
Aggregate write-ins for miscellaneous income	(103,261,552)
Total other income	\$ (104,699,272)

Net income before federal income taxes	\$ 103,363,113
Federal and foreign income taxes incurred	(9,623,840)
Net income	\$ 112,986,953

**Reconciliation of Capital and Surplus**  
**For the Period from the Prior Examination**  
**As of December 31, 2015 to December 31, 2020**

	Common Capital Stock	Aggregate Write-ins for Special Surplus Funds	Gross Paid In & Contributed Surplus	Unassigned Funds (Surplus)	Total
December 31, 2015	\$ 6,719,320	\$ 2,198,608	\$ 2,549,033,739	\$ 4,035,077,334	\$ 6,593,029,001
2016 Aggregate Write-in	-	278,725,296	-	(278,725,296)	-
2016 Net Income (loss)	-	-	-	246,358,586	246,358,586
2016 Unrealized Gain (loss)	-	-	-	(341,516,292)	(341,516,292)
2016 Other Changes <sup>1</sup>	-	-	-	(151,174,907)	(151,174,907)
2016 Dividends to stockholders	-	-	-	(489,651,450)	(489,651,450)
December 31, 2016	<u>\$ 6,719,320</u>	<u>\$ 280,923,904</u>	<u>\$ 2,549,033,739</u>	<u>\$ 3,020,367,975</u>	<u>\$ 5,857,044,938</u>
2017 Aggregate Write-in	-	64,286,598	-	(64,286,598)	-
2017 Net Income (loss)	-	-	-	(243,112,861)	(243,112,861)
2017 Unrealized Gain (loss)	-	-	-	108,855,527	108,855,527
2017 Other Changes <sup>1</sup>	-	-	-	(80,933,174)	(80,933,174)
2017 Dividends to stockholders	-	-	-	(200,000,000)	(200,000,000)
December 31, 2017	<u>\$ 6,719,320</u>	<u>\$ 345,210,502</u>	<u>\$ 2,549,033,739</u>	<u>\$ 2,540,890,869</u>	<u>\$ 5,441,854,430</u>
2018 Aggregate Write-in	-	151,090,676	-	(151,090,676)	-
2018 Capital Contribution	-	-	90,000,000	-	90,000,000
2018 Net Income (loss)	-	-	-	(309,197,973)	(309,197,973)
2018 Unrealized Gain (loss)	-	-	-	(117,008,439)	(117,008,439)
2018 Other Changes <sup>1</sup>	-	-	-	17,742,513	17,742,513
2018 Dividends to stockholders	-	-	-	(500,000,000)	(500,000,000)
December 31, 2018	<u>\$ 6,719,320</u>	<u>\$ 496,301,178</u>	<u>\$ 2,639,033,739</u>	<u>\$ 1,481,336,294</u>	<u>\$ 4,623,390,531</u>
2019 Aggregate Write-in	-	118,647,762	-	(118,647,762)	-
2019 Net Income (loss)	-	-	-	384,007,043	384,007,043
2019 Unrealized Gain (loss)	-	-	-	26,549,758	26,549,758
2019 Other Changes <sup>1</sup>	-	-	-	(104,857,791)	(104,857,791)
2019 Dividends to stockholders	-	-	-	(450,000,000)	(450,000,000)
December 31, 2019	<u>\$ 6,719,320</u>	<u>\$ 614,948,940</u>	<u>\$ 2,639,033,739</u>	<u>\$ 1,218,387,542</u>	<u>\$ 4,479,089,541</u>
2020 Aggregate Write-in	-	76,828,031	-	(76,828,031)	-
2020 Capital Contribution	-	-	210,000,000	-	210,000,000
2020 Net Income (loss)	-	-	-	112,986,953	112,986,953
2020 Unrealized Gain (loss)	-	-	-	(32,001,462)	(32,001,462)
2020 Other Changes <sup>1</sup>	-	-	-	78,754,239	78,754,239
2020 Dividends to stockholders	-	-	-	(400,000,000)	(400,000,000)
December 31, 2020	<u>\$ 6,719,320</u>	<u>\$ 691,776,971</u>	<u>\$ 2,849,033,739</u>	<u>\$ 901,299,241</u>	<u>\$ 4,448,829,271</u>

<sup>1</sup>Other Changes in Unassigned Funds (Surplus) may include changes in: net unrealized foreign exchange capital gain(loss), net deferred income taxes, non-admitted assets, the provision for reinsurance, aggregate write-ins for gains(losses) in surplus and the cumulative effect of changes in accounting principles.

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION**

There were no financial adjustments to the Company's financial statements as a result of this examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

Note 1:	
Losses	\$6,822,998,682
Loss Adjustment Expenses	859,079,822

INS Consultants, Inc. (INS) and Oliver Wyman Actuarial Consulting, Inc. (OW) were engaged by the Pennsylvania Insurance Department to perform a review of the Company's loss and loss adjustment expense reserves as of December 31, 2020, on behalf of this coordinated examination. Additionally, the Department retained the actuarial services of INS to perform a limited scope review specific to the Company's loss and loss expense reserves. The examination included a review of the inherent risks, management oversight and other mitigating controls over the Company's actuarial processes and procedures. The examination also included an independent reserve analysis and assessment of the Company's reserves for compliance with applicable *Actuarial Standards of Practice* and the *NAIC Accounting Practices and Procedures Manual*.

**SUBSEQUENT EVENTS**

Effective January 1, 2021, the Combined Pooling Agreement was amended and restated among the twelve participating companies. The new pool participation percentages of the Pool Members, as compared to those as of December 31, 2020, are as follows:

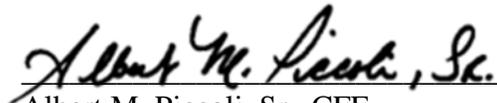
NAIC Company Code	Company	Participation Percentage as of January 1, 2021	Participation Percentage as of December 31, 2020
19445	NUFIC	35%	35%
19380	AHAC	32%	35%
19437	Lexington	30%	30%
19402	APCC	0%	0%
19410	C&I	3%	0%
19429	ISOP	0%	0%
23841	NHIC	0%	0%
26883	AIG Specialty	0%	0%
40258	AAC	0%	0%
23809	GSIC	0%	0%
23817	INIC	0%	0%
19399	AIU	0%	0%

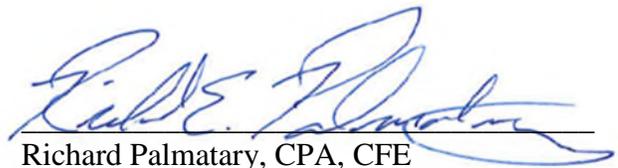
**SUMMARY OF RECOMMENDATIONS**

There were no recommendations as a result of this examination.

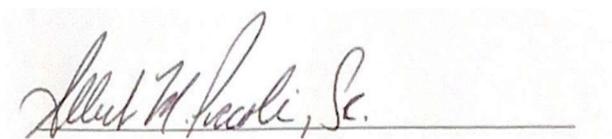
The assistance and cooperation of the consulting actuarial firm, INS, the Company’s outside audit firm, PwC and the Company’s management and staff was appreciated and is acknowledged. In addition, the assistance of the regulators and consultants representing the states participating in this coordinated examination is also appreciated and acknowledged.

Respectfully submitted,

  
 Albert M. Piccoli, Sr., CFE  
 Examiner In-Charge  
 Delaware Department of Insurance

  
 Richard Palmatary, CPA, CFE  
 Supervising Examiner  
 Delaware Department of Insurance

I, Albert M. Piccoli, Sr., hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to Examination Certification No. 21.001.



Albert M. Piccoli, Sr., CFE